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The Price of Flexibility: Revealing Salaries in Job Postings

How Pay Transparency Reshapes Women's Job Search: Evidence from a Field Experiment

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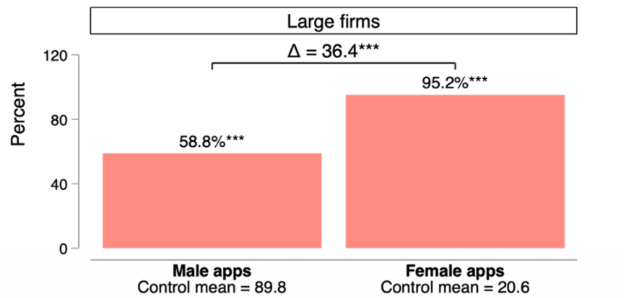
Pay transparency in job ads nearly doubles women's applications to high-wage firms.

Topic at a Glance

Up to 3/4ths of the gender pay gap stems from women's sorting into low-wage firms. Do women prefer amenities to wages, or face barriers to search? I answer this using 29 million job applications from Pakistan's largest job search platform, firm and worker surveys, and an experiment mandating pay transparency. I document that large, high-paying firms are more likely to omit salaries in job ads, and less likely to offer flexibility – an amenity women value more. When pay is disclosed, men and women respond similarly. But when undisclosed, behaviors diverge: men search randomly, while women sort negatively on pay. To test if transparency closes these gaps, I randomize mandatory vs. optional pay disclosure in 20,088 jobs across 8,906 firms. The experiment leaves large-firm pay and amenities unchanged. Yet women's applications to these firms increase 95%, and men's 59%. This implies women do not prefer flexibility to pay. Rather, they turn to flexibility when they cannot access pay. Meanwhile, large firms most exposed to transparency become 30% more likely to disclose pay post-experiment.



At large firms, mandating pay disclosure raises women's applications by 95% versus 59% for men.

New Insights

Around the world, women sort into lower-paying firms than men, which explains up to half of the gender pay gap. This research asks: do women prefer these low-paying firms, or do they face barriers to accessing high-paying ones?

The conventional explanation emphasizes preferences. The argument is that women's employers are not only lower-paying but also more family-friendly, so women may be "buying" amenities with foregone wages. However, to fully account for the observed wage gaps, women's willingness to pay for these amenities would have to be quite large (about 30%). In practice, lab-based estimates of such preferences are orders of magnitude smaller (at most 8%). So, while the preference explanation is important, it is also incomplete.

This paper brings a new fact to this conversation: most workers apply to jobs without knowing the salaries of those jobs. Across many high- and low-income countries – including the U.S., Germany, China and Ethiopia – over 80% of job postings omit salary information. This means that when women trade wages for amenities, they may not know the price they're paying for these amenities.

To test the importance of this information friction, I partner with Pakistan's largest online job search platform. In a field experiment with 20,088 jobs from 8,906 firms, I randomize whether pay disclosure in job ads is mandatory (treatment) or optional (control). Using baseline data, I first document three facts:

- While large firms pay more, they are less likely to disclose salaries in job ads. Consequently, salaries are more likely to be hidden when higher for otherwise similar jobs
- Only 11% of surveyed job-seekers – men and women alike – believe hidden salaries to be higher than posted ones, revealing a clear window for policy action
- Large firms offer fewer family-friendly amenities like flexibility, which women value moderately more.

Together, these facts imply that pay is most often hidden precisely where it may be high enough to compensate women for inflexibility. My experiment then shows that:

- Revealing wages increases applications to treated jobs by 49%. Effects are driven by large firms: their applications surge by 66%, versus 23% at small firms. This suggests that workers learn new wage information about large firms and find it appealing. Indeed, large firms in control hide salaries 30% more often, and offer 32% higher minimum and 21% higher maximum salaries, with a narrower range. In treatment, large firms continue to offer higher and more compressed salary ranges.
- The impact is disproportionate for women. Treatment increases male applications to large firms by 59% and female applications by 95%. This reverses the gender gap in directed search: in control, large firms – relative to small firms – get 20 percentage points fewer female than male applications. In treatment, this gap flips in favor of women, to 43 percentage points.
- As women shift toward large firms, they also substitute away from flexibility. To capture this trade-off, I develop a natural language processing algorithm that classifies mentions of remote work, flexible hours, transport support, safety, and inclusive language in job ads. I then test whether the appeal of these 'amenities' depends on salary disclosure. Remote work stands out: large firms are 50% less likely to offer it, yet women value it highly. remote jobs without posted salaries receive 169% more female applications but only 71% more male applications – all else constant. Mandating transparency leaves the amenity supply unchanged but sharply reduces its appeal to women. In treatment, women's applications to remote jobs fall by 79 percentage points, while to large firms, they rise by 47 percentage points. Male behavior remains stable in contrast. I replicate these patterns in a discrete-choice experiment that cross-randomizes salary and amenity information.
- In baseline surveys, most non-disclosing firms expect transparency to raise applications but reduce quality – and they are partly right: at large firms, the share of applicants meeting the job's skill criteria falls by 6%.
- Yet, firms appear to overestimate such screening costs. After the experiment, while untreated large firms remain about 80% likely to hide pay, those fully exposed to the experiment are 30% less likely to do so. A potential reason is that transparency improves the top of the applicant pool, especially among women. In control, 90% of jobs already attract at least one high-ability man but only 57% attract a high-ability woman. With transparency, that probability rises by 11% for women and just 1% for men.
- Treated jobs become 7% more likely to download a female CV after reviewing applications, and report similar female hiring rates despite increased competition. Back-of-the-envelope calculations suggest that a representative woman then becomes 18% more likely to be hired by a large firm in treatment than in control because the increase in women's applicant share offsets the increase in overall competition. By contrast, the average man becomes 4% less likely to be hired by large firms.

The paper shows that lack of information about wages amplifies gender differences in preferences for amenities, and steers women toward low-paying firms. Revealing wages reallocates women's search to large, high-paying firms.

Policy Recommendations

- Mandate or default-on salary disclosure in job advertisements. Transparency is a low-cost lever: it changed information, not jobs, yet delivered much of the progress that expensive amenity provision, such as transport or remote-work options, would achieve.

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Platforms and regulators can require or pre-set pay disclosure at the point of posting.

- Prioritise large employers and job platforms, where the information gap is widest.
- Provide firms with better screening tools so they don't have to rely on measures such as pay secrecy to limit applicant volume.

Limitations

- The experiment changes disclosure, not the underlying wages or amenities. Long-run firm responses, such as adjusting posted wages, amenities, or disclosure norms once transparency becomes common, are not fully captured within the experiment window.
- Some hiring outcomes rely on firm-reported data and back-of-the-envelope calculations. Realised employment and wage effects over a longer horizon warrant further study.
- Results reflect a partial rollout. If transparency became universal, firms' wage-setting and workers' application behaviour could shift in general-equilibrium ways that a randomised subset does not fully reveal. However, the experiment's saturation design can shed some light on this question.
- The evidence comes from a single online job platform in Pakistan. Magnitudes may differ in offline hiring or other settings, though the underlying information friction is documented across many countries.

Read more → g2lm-lic.iza.org/policies-welfare/market-based-solutions-to-gender-inequality-in-job-search-in-pakistan/

G²LM|LIC is a joint program by IZA and the UK Foreign, Common-wealth & Development Office (FCDO) – improving worldwide know-ledge on labor market issues in low-income countries (LICs) and pro-viding a solid basis for capacity building and development of future labor market policies.

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